

# Public Health Procurement/

Ascendant PFM Issue

7 December 2016



### Discussion Goals

- 1) Underscore the increasing importance of public health procurement as a PFM issue
- 2) Highlight public and private sector perspectives on what works

### Discussion Agenda

- 1) The Importance of Health Procurement as a PFM issue
- 2) Managing Health Procurement Programs
- 3) Case Study Introduction - Ukraine
- 4) Ukraine Results

# The Panel

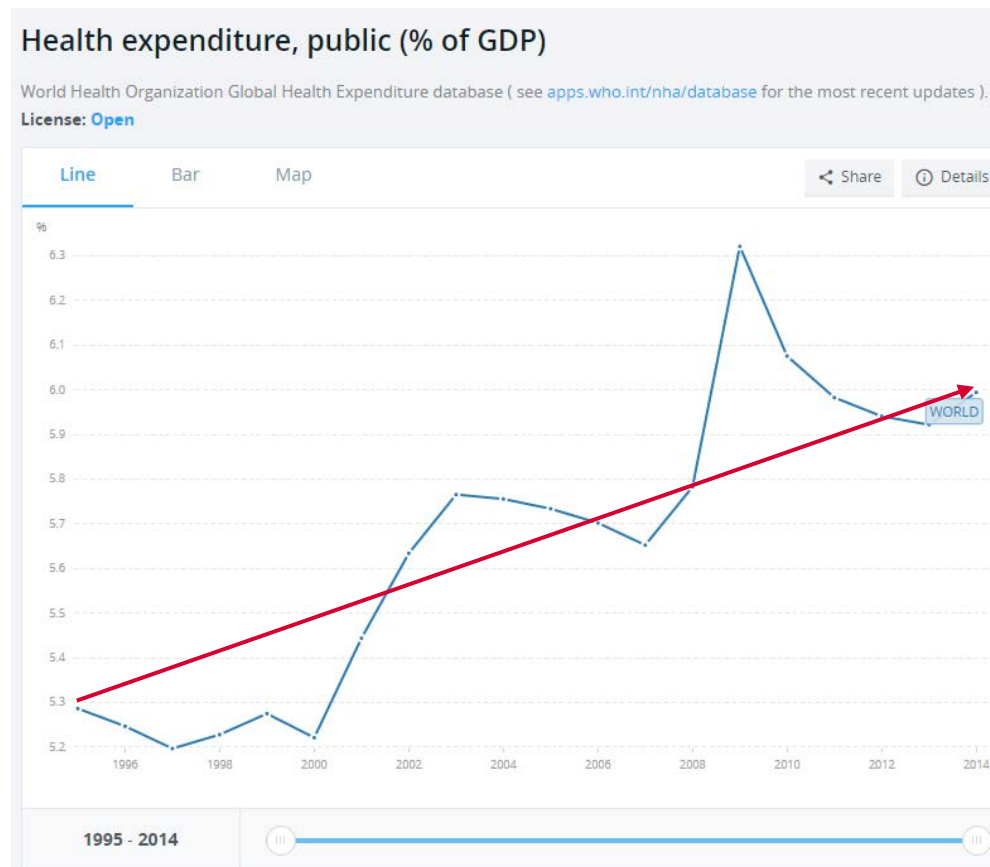
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# Public Health Procurement – Escalating PFM Issue

## Setting the Scene

- Public health expenditure is already an increasingly important PFM issue
- Pharmaceutical procurement is the #2 health expenditure in most countries, after labor
- Population trends dramatically intensify health as a PFM issue
- The importance of effective health procurement will also intensify

## Public Health Spending-A Growing PFM Issue



Visual from the following URL on October 27, 2016:  
<http://data.worldbank.org/indicator/SH.XPD.PUBL.ZS>

# System objective: continuity of pharmaceutical coverage

REGULATION AND GOVERNANCE OF HEALTH PRODUCTS PROCUREMENT

Central Medicines Committee

Pharmacy Law

National Formulary

National Quantification Committee

Tender Board

Procurement Regulations

**Health products:**

- *Of acceptable quality, meeting specifications*
- *At a reasonable price*
- *Delivered to country and down to service delivery level ("last mile")*

**OBJECTIVE:**  
Continuity of pharmaceutical coverage for affected populations

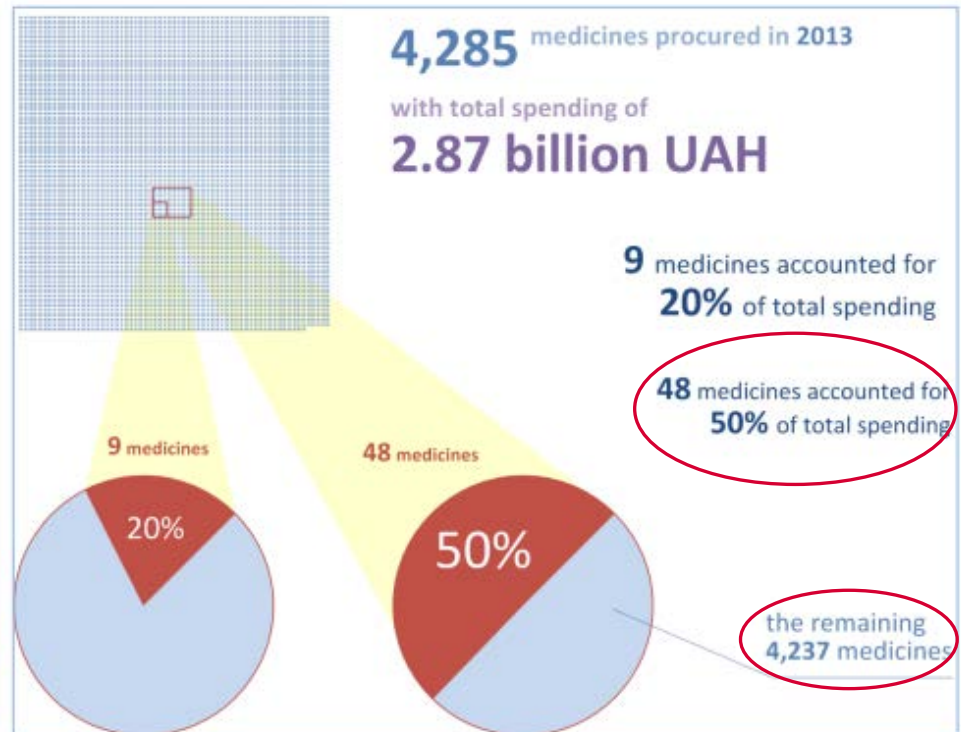
## Global Takeaways

- Maintain a formulary list
  - Leverage integrated skills for health products governance, oversight, management
  - Triangulate patient use data, inventory data, patient objectives to quantification of health products for procurement
- Separate key functions for selection, tendering, quality assessment, payment
  - Consider Rule of 5 for low pricing
  - Procure generic products when possible
  - Lift import duty, customs, demurrage bottlenecks
  - Pay promptly
  - Redistribute regionally to avoid wastage

## Ukraine Context

- Rapidly aging population; relatively high HIV infection rate; and, TB, particularly MDR-TB, a threat
- Legacy health system focus on in-patient care vs. outpatient services or primary care and prevention
- 2013-2015 disruption of pharmaceutical supply
- Ukrainian Government prioritizes health reform
- Key element of reform: increase pharmaceutical access and decrease cost

## Pharmaceutical Spending – Limited \$ → Limited Diversity



### Ukraine Context (2)

- Inconsistency between burden of disease and health expenditure, even more so in pharmaceutical procurement
- Inadequate forecasting and insufficient funds => very poor availability, with most medicines purchased out-of-pocket
- Lack of prescribing guidance and compliance with marketing regulations results in inappropriate use
- Procurement plagued by poorly skilled staff and corrupt practices at both the national and sub-national level
- Efforts to establish new EML as basis for public procurement
- Intention to introduce limited outpatient drug reimbursement from 2017



## Ukraine Outcomes

- Reduced net prices on 168 pharmaceuticals by 38% (2015 vs. 2014)
- 84% of 168 intervention pharmaceuticals saw price reductions (2015 vs. 2014)
- 45% savings (UAH 500M) during the adult and paediatric procurement programs

